

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Van Buren/Cass District Health Department	County Van Buren
Fiscal Year End 12/31/05	Opinion Date 4/25/06	Date Audit Report Submitted to State 6/30/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

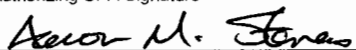
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens	License Number 1101024055

**Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2005**

Van Buren/Cass County District Public Health Department

TABLE OF CONTENTS

December 31, 2005

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Fund Balance Sheet	3
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	6
Notes to Financial Statements	7-13
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Special Revenue Fund	14
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	15-17
Notes to Schedule of Expenditures of Federal Awards	18
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	19-20
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	21-22
SCHEDULE OF FINDINGS	23-24
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	25

Principals

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INDEPENDENT AUDITOR'S REPORT

Board of Public Health  
Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan

We have audited the accompanying component unit financial statements of the governmental activities and the major fund of the Van Buren/Cass County District Public Health Department, a component unit of Van Buren County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Department's basic financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Van Buren/Cass County District Public Health Department as of December 31, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2006, on our consideration of the Van Buren/Cass County District Public Health Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 25, 2006

# **VAN BUREN/CASS DISTRICT HEALTH DEPARTMENT**

**VAN BUREN COUNTY**  
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57418 CR 681, Suite A  
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**Frederick (Rick) Johansen, MD**  
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**ADMINISTRATOR/HEALTH OFFICER**  
**Jeffery L Elliott, BBA**

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## **Management's Discussion and Analysis For Fiscal Year Ended December 31, 2005**

Van Buren/Cass District Health Department is in its third year of implementing the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Department's financial performance during the fiscal year ended December 31, 2005, and is a requirement of GASB 34. The Management's Discussion and Analysis is intended to be read in conjunction with the Department's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

### **Financial Highlights**

- The assets of the Department exceeded its liabilities at December 31, 2005, by \$1,593,450 at the government-wide level. Of this amount, \$1,506,447 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets decreased \$10,336 as a result of this year's operations.
- As of December 31, 2005, the Department's governmental fund reported an ending fund balance of \$930,520, a decrease of \$19,667.
- As of December 31, 2005, the unreserved and undesignated fund balance was \$600,193.

### **Overview of the Financial Statements**

The Van Buren/Cass District Health Department's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The government-wide financial statements provide information about the activities of the entire Department. They present an overall view of the Department's finances, reporting the assets and liabilities on fiscal year ending December 31, 2005.

The Statement of Net Assets present information on all of the Van Buren/Cass District Health Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during fiscal year 2005. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

All of the Van Buren/Cass District Health Department's offices are supported by intergovernmental revenues, governmental grants, donations, fees and charges for services, interest, local, and contributions. The governmental activities of the Department are all considered health and sanitation programs. The Department does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Van Buren/Cass District Health Department.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Van Buren/Cass District Health Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Department operates with one fund, which is considered a governmental fund.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Van Buren/Cass District Health Department adopts an annual appropriated budget for its Health Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 3 and 5 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-14 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 15. Other supplementary information concerning expenditures of federal awards can be found on pages 16-26 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Van Buren/Cass District Health Department, assets exceeded liabilities by \$1,761,021. A comparative analysis of 2004 and 2005 is presented below.

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,917,177	\$ 1,789,462
Capital assets	<u>87,003</u>	<u>89,257</u>
Total assets	2,004,180	1,878,719
Current liabilities	275,600	115,532
Noncurrent liabilities	<u>135,130</u>	<u>159,401</u>
Total liabilities	<u>410,730</u>	<u>274,933</u>
Net assets		
Invested in capital assets	87,003	89,257
Unrestricted	<u>1,506,447</u>	<u>1,514,529</u>
Total net assets	<u>\$ 1,593,450</u>	<u>\$ 1,603,786</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) decreased by \$10,336. Net assets invested in capital assets decreased by \$2,254. This represents a decrease of approximately 3 percent. The current level of unrestricted net assets for our governmental activities stands at \$1,506,447, or approximately 30 percent of annual expenses. This is within our desired range.

The following table shows the changes of net assets for the years ended December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Program revenues		
Charges for services	\$ 912,644	\$ 935,472
Operating grants and other/contributions	2,947,331	2,817,676
General revenue		
County appropriations	628,172	632,039
Hotel liquor tax	123,355	122,886
Cigarette tax	53,396	47,005
Interest	19,859	8,969
Miscellaneous	<u>-</u>	<u>130</u>
Total revenues	4,684,757	4,564,177
Program Expenses	<u>4,695,090</u>	<u>4,526,740</u>
Change in net assets	<u>\$( 10,333 )</u>	<u>\$ 37,437</u>

For the year ended December 31, 2005, operating grants and contributions increased approximately \$297,226 due to receiving additional grants to expand Substance Abuse Meth Treatment and Jail Health programs to Cass County, Medicaid Outreach grant and a planning grant for a School Based Health Center in Bangor Public School District. Contributions increased due to expanding Breast Cancer Awareness programs, Safe Kids projects and the start up of "Girls on the Run" program for 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> grade girls.

Total expenses increased approximately 4% over last year. Significant reasons for the increase are salary increases, contractual, building improvements for the Hartford location, and cost of flu vaccine.

### **Financial Analysis of the Government's Fund**

As noted earlier, the Van Buren/Cass District Health Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund:** The focus of the Van Buren/Cass District Health Department's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Van Buren/Cass District Health Department's financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Van Buren/Cass District Health Department's governmental fund reported an ending fund balance of \$930,520, a decrease of \$19,667 in comparison with the prior year. Of this total, \$161,415 has been reserved for prepaid expenditures and inventory. There has been \$168,912 designated for vacation and personal leave. The unreserved and undesignated fund balance at December 31, 2005, was \$600,193.

As a measure of the governmental fund's liquidity, it may be useful to compare unreserved fund balance, total fund balance, and unreserved-undesignated fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 16 percent and 20 percent, respectively, of total fund expenditures, while unreserved-undesignated fund balance represents approximately 13 percent of total expenditures.

### **Governmental Fund Budgetary Highlights**

Over the course of the year, the Van Buren/Cass District Health Department's Board of Directors may amend the budget to take into account events that occur during the year. For the year ended December 31, 2005, intergovernmental revenue increased due to an increase in the Medicaid cost reimbursement determined by Michigan Department of Community Health, increased funding for Bioterrorism, a planning grant for a School Based Health Center, and expanding Jail Health services to Cass County. The expenses for the amended budget increased due to the increase in health insurance premiums, capital improvements, contractual, and travel expense.

There are variances between the final amended budget and actual amounts for intergovernmental Federal/State revenues due to receiving funds from the State of Michigan for Medicaid Outreach program. Other significant variances between final amended budget and actual amounts are salaries and contractual expense. Salaries increased due to employees electing to cash in sick and annual time for compensation to reduce the sick and vacation liability. Contractual expense increased because of additional grants received in the year.

## **Capital Asset and Debt Administration**

**Capital Assets:** The Van Buren/Cass District Health Department's investment in capital assets as of December 31, 2005, amounts to \$87,003 (net of accumulated depreciation).

**Long-term Obligations:** The Van Buren/Cass District Health Department does not have any outstanding debt issues. The only long-term obligation the department currently has relates to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at December 31, 2005, is \$168,912.

## **Economic Factors and Next Year's Budget and Rates**

For the fiscal year ending December 31, 2006, close monitoring of State budget actions will continue to be important related to further possible cuts in funding provided through the Comprehensive Planning, Budgeting and Contracting (CPBC) agreement with the Michigan Department of Community Health. This level of funding has a significant impact on the types and levels of service we are able to provide as a Local Public Health Department.

Because the services of the Van Buren/Cass District Health Department are provided based on need and not the ability to pay and the financial condition of the Van Buren/Cass District Health Department is generally sound, the budget for the fiscal year ending December 31, 2006, did not incorporate an increase in any fees charged for services to the general public at that time.

## **Requests for Information**

This financial report is designed to provide a general overview of the Van Buren/Cass District Health Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Chantal Wojcik**  
**Finance Administrator**  
**Van Buren/Cass District Health Department**  
**57418 CR 681, Suite A**  
**Hartford, MI 49057**  
**Office: 269-621-3143**  
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## **BASIC FINANCIAL STATEMENTS**

Van Buren/Cass County District Public Health Department

STATEMENT OF NET ASSETS

December 31, 2005

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 385,887
Investments	500,000
Accounts receivable	406,551
Due from other governmental units	
Federal/State	415,932
Local	47,392
Prepays	53,332
Inventories	108,083
Total current assets	1,917,177
Noncurrent assets	
Capital assets, net of accumulated depreciation	87,003
TOTAL ASSETS	2,004,180
LIABILITIES	
Current liabilities	
Accounts payable	51,211
Deferred revenue	190,607
Current portion of compensated absences	33,782
Total current liabilities	275,600
Noncurrent liabilities	
Noncurrent portion of compensated absences	135,130
TOTAL LIABILITIES	410,730
NET ASSETS	
Invested in capital assets	87,003
Unrestricted	1,506,447
TOTAL NET ASSETS	\$ 1,593,450

See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenues and
		Services	Grants and	Change in
			Contributions	Net Assets
				Governmental
				Activities
Governmental activities				
Personal health	\$ 3,313,994	\$ 472,652	\$ 2,572,672	\$ (268,670)
Environmental health	557,627	252,887	43,740	(261,000)
Dental health	487,338	186,904	100,226	(200,208)
Other	336,131	201	230,693	(105,237)
Total	<u>\$ 4,695,090</u>	<u>\$ 912,644</u>	<u>\$ 2,947,331</u>	(835,115)
General revenues				
Interest				19,856
County appropriations				
Regular				478,278
Other				149,894
Hotel liquor tax				123,355
Cigarette tax				<u>53,396</u>
Total general revenues				<u>824,779</u>
Change in net assets				(10,336)
Net assets, beginning of the year				<u>1,603,786</u>
Net assets, end of the year				<u>\$ 1,593,450</u>

See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

GOVERNMENTAL FUND BALANCE SHEET

December 31, 2005

	Special Revenue
ASSETS	
Cash	\$ 385,887
Investments	500,000
Accounts receivable	406,551
Due from other governmental units	
Federal/State	415,932
Local	47,392
Prepays	53,332
Inventories	108,083
	<hr/>
TOTAL ASSETS	\$ 1,917,177
	<hr/>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 51,211
Deferred revenue	935,446
	<hr/>
TOTAL LIABILITIES	986,657
FUND BALANCE	
Reserved for	
Prepays	53,332
Inventories	108,083
Unreserved	
Designated for vacation and sick leave	168,912
Undesignated	600,193
	<hr/>
TOTAL FUND BALANCE	930,520
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,917,177
	<hr/>

See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2005

**Total fund balance - governmental fund** \$ 930,520

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 342,494	
Accumulated depreciation is	<u>(255,491)</u>	
		87,003

Deferred revenue has been recorded at the Fund level against receivables  
that have been earned but not yet received and therefore not considered  
available to finance current operations.

Deferred revenue	744,839
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Compensated absences	<u>(168,912)</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 1,593,450</u></u>
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See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUND

Year Ended December 31, 2005

	<u>Special Revenue</u>
REVENUES	
Licenses and permits	\$ 266,750
Intergovernmental	
Federal/State	2,643,170
Charges for services	898,634
Interest	19,859
Other	<u>70,174</u>
TOTAL REVENUES	3,898,587
EXPENDITURES	
Current	
Salaries and wages	2,513,993
Fringe benefits	740,594
Supplies and materials	644,301
Contractual	320,468
Telephone	62,102
Travel	115,985
Insurance	21,059
Utilities	23,399
Repairs and maintenance	74,935
Building and equipment lease and rentals	147,511
Printing and advertising	22,418
Postage	14,652
Other	<u>21,760</u>
TOTAL EXPENDITURES	<u>4,723,177</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(824,590)
OTHER FINANCING SOURCES	
County appropriations - regular	478,278
County appropriations - other	149,894
Cigarette tax	53,396
Hotel liquor tax	<u>123,355</u>
TOTAL OTHER FINANCING SOURCES	<u>804,923</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(19,667)
Fund balance, beginning of year	<u>950,187</u>
Fund balance, end of year	<u><u>\$ 930,520</u></u>

See accompanying notes to financial statements.

Van Buren/Cass County District Public Health Department

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

**Net change in fund balance - governmental fund** \$ (19,667)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 25,000
Depreciation expense	<u>(27,254)</u>

Excess of depreciation expense over capital outlay	(2,254)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue	(18,754)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued compensated absences	<u>30,339</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ (10,336)</u></u>
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Van Buren/Cass County District Public Health Department is a joint venture between Van Buren and Cass Counties, and was established to provide public health services. The District Health Board has representation and provides services to Van Buren and Cass Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette and hotel liquor tax funding to subsidize operations. In addition, the treasury function for the District Health Department rests with the Van Buren County Treasurer. For this reason, the District Health Department is discretely presented in the Van Buren County financial statements.

The District Health Department's financial statements are prepared in accordance with generally accepted principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Department are discussed below.

The primary revenues of the Van Buren/Cass County District Public Health Department are charges for services, Federal and State grants and County appropriations.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14 (as amended by GASB Statement 39), *The Financial Reporting Entity*; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Van Buren/Cass County District Public Health Department. The Department is considered a "joint venture" of Van Buren and Cass Counties.

2. Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the Department as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Department and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Department.

**FUND FINANCIAL STATEMENTS**

The Department uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Department's individual major fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the Department is:

- a. Special Revenue Fund - This fund is used to account for all financial resources of the Department, which are restricted to expenditures for specified health related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Department before it has legal claim to them, such as when grant monies are received and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Department reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Department receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Department is prepared by Department management (based on the consolidation of individual program budgets) and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash and Investments

Cash consists of the Department's payroll and accounts payable checking account, imprest cash, and cash on deposit with the Van Buren County Treasurer. Investments consist of a certificate of deposit with an original maturity of greater than 90 days.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Receivables and Deferred Revenue

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Department has not recognized revenue at the fund level related to client charges for services until it is received due to the collectable portion not being considered "measurable" or "available to finance expenditures of the current period". The Department has recorded deferred revenue at the fund level equaling the amount of the accounts receivable.

The Department has recorded deferred revenue at both the governmental-wide and the fund level equaling the amount of vaccine inventory received from the State of Michigan that is on hand at year-end.

7. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of operating supplies and vaccines received from the State of Michigan. Vaccine inventory on hand at year-end have been reported as deferred revenue. Inventory amounts not reported as deferred revenue are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

8. Capital Assets

Capital assets include equipment and building improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	4 - 20 years
Building Improvements	27 years

The Department has no assets that would be classified as infrastructure assets.

9. Compensated Absences

The Department employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount, along with related payroll taxes has been recorded as a current and long-term liability in the government-wide financial statements.

10. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Department is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Department's bank deposits at December 31, 2005, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking accounts	\$ 11,715	\$ 61,091
Certificates of deposit	<u>500,000</u>	<u>500,000</u>
	<u>\$ 511,715</u>	<u>\$ 561,091</u>

Bank deposits of the Department are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Department. As of December 31, 2005, the Department's accounts were insured by the FDIC for \$161,091 and the amount of \$400,000 was uninsured and uncollateralized.

The cash caption on the balance sheet includes \$375 in imprest cash and \$373,797 in cash that is on deposit with the Van Buren County Treasurer. The cash on deposit with the Van Buren County Treasurer is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to the Department cannot be determined.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH AND INVESTMENTS - CONTINUED**Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Department has not adopted a policy that indicates how the Department will minimize credit risk if/when the Department has investments that are subject to this type of risk.

Interest rate risk

The Department has not adopted a policy that indicates how the Department will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the Department has investments that are subject to this type of risk.

Concentration of credit risk

The Department has not adopted a policy that indicates how the Department will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Department's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Department has investments that are subject to this type of risk.

**NOTE C: CAPITAL ASSETS**

The following provides a summary of the changes in capital assets for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Governmental activities:				
Building improvements	\$ 25,000	\$ 25,000	\$ -	\$ 50,000
Equipment	292,494	-	-	292,494
Totals at historical cost	317,494	25,000	-0-	342,494
Less accumulated depreciation for:				
Building improvements	( 11,266 )	( 1,389 )	-	( 12,655 )
Equipment	( 216,971 )	( 25,865 )	-	( 242,836 )
Total accumulated depreciation	( 228,237 )	( 27,254 )	-0-	( 255,491 )
Capital assets, net	\$ 89,257	\$ ( 2,254 )	\$ -0-	\$ 87,003

Depreciation expense has been allocated to governmental functions as follows: Personal Health \$1,254, Dental Health \$818, and Administration \$25,182.

Van Buren/Cass County District Public Health Department

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE D: COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences (including current portion) of the Health Department for the year ended December 31, 2005:

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amounts due within one year
Accumulated compensated absences	\$ 199,251	\$ -	\$ 30,339	\$ 168,912	\$ 33,782

Significant details regarding outstanding compensated absences (including current portion) are presented below:

Employees of the Van Buren/Cass County District Public Health Department are granted vacation and sick leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 25 days, and accumulated sick leave at a rate of 50% of hours accumulated up to a maximum of 750 hours (375 hours payable).

Accumulated vacation leave and sick pay represent a liability to the Department which is presented as both a current and long-term liability in the government-wide financial statements. Payments to employees for vacation leave and sick pay are recorded as expenditures when they are used and payments are actually made to the employees.

At December 31, 2005, vacation and sick pay including related payroll taxes amounted to \$168,912; \$33,782 of which has been classified as a current liability.

**NOTE E: RETIREMENT PLAN**

The Van Buren/Cass County District Public Health Department employees participate in the Van Buren County Employee Pension Trust, which became effective on April 30, 1984. This defined contribution plan replaced the Van Buren County Pension Plan that was terminated. Assets of the terminated plan, which represented accumulated employer's contributions were transferred to the new plan and deposited in the Transfer Account of the Trust Fund. Assets that had been accumulated in the previous plan as a result of employee contributions were retained by the trustee of the plan and are to be distributed to plan participants at the time of their retirement according to the terms of that plan's annuity contracts.

All County employees including elected and appointed officials are eligible to participate in the plan. The County is required to pay contributions to the plans that match the participants' contribution up to a maximum of 7% of employee compensation.

The participants' contributions are fully vested at all times. The participants' Employer Contribution Account balance becomes fully vested after 4 years of service. The County plan is invested in Fidelity Mutual Funds.

For the year ended December 31, 2005, the Department had a total and covered payroll of \$2,513,993. The Department made employer contributions to the retirement plan in the amount of \$94,935.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE F: DEFERRED COMPENSATION**

Van Buren County (including the Van Buren/Cass County District Health Department) offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered through Fidelity Mutual Funds.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999 all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of public employees' creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of December 31, 1998, the County had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the Department because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

**NOTE G: RISK MANAGEMENT**

The Department participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Department also participates in a State Pool, the Michigan Municipal Workers Compensation Fund, with other municipalities for worker's compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Department has no liability for additional assessments based on the claims filed against the pools nor do they have any right to dividends.

**NOTE H: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance that the Department has set aside for specific purposes.

The following are the fund balance reserves as of December 31, 2005:

Reserved for prepaids	\$ 53,332
Reserved for inventories	<u>108,083</u>
	<u>\$ 161,415</u>

The following is the fund balance designation as of December 31, 2005:

Designated for vacation and sick leave	<u>\$ 168,912</u>
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## **REQUIRED SUPPLEMENTARY INFORMATION**

Van Buren/Cass County District Public Health Department

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	\$ 198,713	\$ 182,787	\$ 266,750	\$ 83,963
Intergovernmental				
Federal/State	2,467,434	2,825,919	2,643,170	(182,749)
Charges for services	851,285	849,638	898,634	48,996
Interest	7,200	19,508	19,859	351
Other	49,474	43,884	70,174	26,290
TOTAL REVENUES	3,574,106	3,921,736	3,898,587	(23,149)
EXPENDITURES				
Current				
Salaries and wages	2,476,849	2,513,993	2,513,993	-0-
Fringe benefits	707,897	734,793	740,594	(5,801)
Supplies and materials	522,234	689,805	644,301	45,504
Contractual	217,946	295,243	320,468	(25,225)
Telephone	55,796	66,011	62,102	3,909
Travel	92,337	113,823	115,985	(2,162)
Insurance	19,724	21,059	21,059	-0-
Utilities	26,304	23,372	23,399	(27)
Repairs and maintenance	24,445	79,821	74,935	4,886
Building and equipment lease and rentals	141,847	130,359	147,511	(17,152)
Printing and advertising	17,831	22,094	22,418	(324)
Postage	13,845	12,043	14,652	(2,609)
Depreciation	16,088	17,411	-	17,411
Other	16,110	22,386	21,760	626
TOTAL EXPENDITURES	4,349,253	4,742,213	4,723,177	19,036
EXCESS OF REVENUES (UNDER) EXPENDITURES	(775,147)	(820,477)	(824,590)	(4,113)
OTHER FINANCING SOURCES				
County appropriations - regular	493,585	478,278	478,278	-0-
County appropriations - other	104,454	96,894	149,894	53,000
Cigarette tax	52,056	53,396	53,396	-0-
Hotel liquor tax	125,052	123,355	123,355	-0-
TOTAL OTHER FINANCING SOURCES	775,147	751,923	804,923	53,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	(68,554)	(19,667)	48,887
Fund balance, beginning of year	950,187	950,187	950,187	-0-
Fund balance, end of year	\$ 950,187	\$ 881,633	\$ 930,520	\$ 48,887

## **OTHER SUPPLEMENTARY INFORMATION**

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through Michigan Department of Community Health and the Van Buren County Sheriff's Department Byrne Formula Grants Jail Substance Abuse Program	16.579	N/A	\$ 79,778	\$ 79,778
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Michigan Department of Environmental Quality State Indoor Radon Grants <sup>(a)</sup>	66.032	N/A	1,800	1,800
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	N/A	6,000	6,000
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	<u>3,725</u>	<u>3,725</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			11,525	11,525
U.S. DEPARTMENT OF EDUCATION				
Passed through Michigan Department of Education and Van Buren Intermediate School District 2004-05 Infant/Toddler (Van Buren)	84.181	N/A	17,000	17,000
Passed through Michigan Department of Community Health Safe and Drug Free Schools FY 04-05	84.186	S186A000023	<u>42,280</u>	<u>42,280</u>
TOTAL DEPARTMENT OF EDUCATION			59,280	59,280
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Community Health Family Planning Services (Family Planning) <sup>(a)</sup> FY 05-06 FY 04-05	93.217	20050161	19,858 <u>56,256</u>	19,858 <u>56,256</u>
			76,114	76,114

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Community Health - continued				
Immunizations <sup>(c)</sup>	93.268	20050161		
FY 05-06 IAP			\$ 12,661	\$ 12,661
FY 04-05 IAP			68,059	68,059
FY 05-06 Provider Site Visits <sup>(b)</sup>			3,202	3,202
FY 04-05 Provider Site Visits <sup>(b)</sup>			4,750	4,750
FY 04-05 Field Service Registry			68,059	68,059
FY 04-05 Nurse Training <sup>(b)</sup>			500	500
FY 05-06 Vaccine supply			109,423	109,423
FY 04-05 Vaccine supply			309,993	309,993
FY 04-05 Vaccine handling			<u>2,648</u>	<u>2,648</u>
			579,295	579,295
Center for Disease Control - Investigations and Technical Assistance	93.283	20050161		
Focus A 04-05			87,835	87,835
Focus B 04-05			25,229	25,229
Focus E 04-05			20,606	20,606
Focus F 04-05			23,303	23,303
Focus G 04-05			15,183	15,183
Bioterrorism 05-06			<u>52,187</u>	<u>52,187</u>
			224,343	224,343
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs FY 03-04	93.919	N/A	250	250
AIDS/HIV Prevention, Counseling, and Testing	93.940	20050161		
FY 05-06			13,874	13,874
FY 04-05			<u>40,489</u>	<u>40,489</u>
			54,363	54,363

Van Buren/Cass County District Public Health Departmer

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Community Health - continued				
Maternal and Child Health Services Block Grant	93.994	20050161		
Family Planning Services <sup>(a)</sup>				
FY 05-06			\$ 3,999	\$ 3,999
FY 04-05			11,703	11,703
Local MCH Family Planning				
FY 05-06 Regular			20,339	20,339
FY 04-05 Regular			61,018	61,018
Case Management Services (CC-LBS)				
FY 05-06			5,125	5,125
FY 04-05			15,380	15,380
Oral Health				
FY 05-06			10,000	10,000
FY 04-05			<u>95,047</u>	<u>95,047</u>
			222,611	222,611
Passed through Michigan Family Independence Agency				
Medical Assistance Program (Title XIX Medicaid)	93.778	20050161		
CSHC Care Coordination <sup>(b)</sup>				
FY 05-06			8,000	8,000
FY 04-05			<u>12,000</u>	<u>12,000</u>
			20,000	20,000
Temporary Assistance to Needy Families (TANF)				
FY 04-05 Teen Parent	93.558	TP01-80001	<u>50,798</u>	<u>50,798</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,127,774</u>	<u>1,127,774</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 1,378,357</u>	<u>\$ 1,378,357</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2005

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Van Buren/Cass County District Public Health Department and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) - (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
State Indoor Radon Grants	66.032	50
Family Planning FY 05-06	93.217	56
Family Planning FY 04-05	93.217	54
Family Planning FY 05-06	93.994	11
Family Planning FY 04-05	93.994	11

- (b) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes program tested as "major program".
- (d) The following reconciles the federal revenues reported in the December 31, 2005 fund financial statements to the expenditures of the Department administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per financial statements)	\$ 2,643,170
<u>Less: Portions of grant funding considered "State" funding.</u>	<u>( 1,264,813 )</u>
	<u>\$ 1,378,357</u>

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Public Health  
Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan

We have audited the financial statements of the governmental activities and the major fund of Van Buren/Cass County District Public Health Department as of and for the year ended December 31, 2005, which collectively comprise the Department's basic financial statements and have issued our report thereon dated April 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren/Cass County District Public Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have noted certain matters that we have reported to management of Van Buren/Cass County District Public Health Department in a separate letter dated April 25, 2006.

This report is intended solely for the information of management and the Board of Public Health of Van Buren/Cass County District Public Health Department, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 25, 2006

Principals

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Public Health  
Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan

Compliance

We have audited the compliance of Van Buren/Cass County District Public Health Department with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major Federal programs for the year ended December 31, 2005. Van Buren/Cass County District Public Health Department's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Van Buren/Cass County District Public Health Department's management. Our responsibility is to express an opinion on Van Buren/Cass County District Public Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren/Cass County District Public Health Department's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Van Buren/Cass County District Public Health Department's compliance with those requirements.

In our opinion, Van Buren/Cass County District Public Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending December 31, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item 2005-1.

Internal Control Over Compliance

The management of Van Buren/Cass County District Public Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Van Buren/Cass County District Public Health Department's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Public Health and management of Van Buren/Cass County District Public Health Department, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 25, 2006

SCHEDULE OF FINDINGS

Year Ended December 31, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the financial statements of the Van Buren/Cass County District Public Health Department.

There were no reportable conditions disclosed by the audit of the financial statements.

We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the financial statements.

An unqualified opinion was issued on compliance for major programs. We disclosed one (1) finding regarding internal controls or compliance related to the major program tested as detailed below with the reference number 2005-1.

The major program tested to cover 25 percent of the total Federal expenditures was the Immunizations (CFDA 93.268) program. Total Federal expenditures for the year ended December 31, 2005, for the major program was \$579,295, which is approximately 42 percent of the total Federal Award expenditures. Based on the criteria of OMB Circular A-133, the Van Buren/Cass County District Public Health Department qualified as a low-risk auditee for the year ended December 31, 2005.

The Health Department had one (1) Type A program, Immunizations (CFDA 93.268). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.

2005-1 VACCINE INVENTORY

Condition: The ending balances of the "Hib" reported by the Department on the October 2005 Local Health Department Monthly Vaccine Inventory Report for Van Buren County did not agree with the ending balances reported on the monthly physical inventory records for Van Buren County.

Criteria: Internal controls should be in place that provides reasonable assurance that vaccine inventory is tracked accurately on a monthly basis.

Effect: The October 2005 Local Health Department Monthly Vaccine Inventory Report for Van Buren County reported 10 more doses of Hib vaccine than were reflected on the physical inventory records.

Recommendation: We recommend the Department review their inventory procedures to assure that physical inventory records are complete and accurate in the future. We also recommend the Department implement reconciliation procedures to assure that the monthly reporting to the State of Michigan agrees with internal physical inventory records.

Van Buren/Cass County District Public Health Department

SCHEDULE OF FINDINGS - CONTINUED

Year Ended December 31, 2005

FINDINGS/NONCOMPLIANCE - CONTINUED

Findings Related to Compliance with Requirements Applicable to the Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 - continued.

2005-1 VACCINE INVENTORY - CONTINUED

Corrective Action Response: Management of the Department is currently reviewing procedures and internal controls related to inventorying vaccine supply and will implement necessary changes to include an independent review of the Local Health Department Monthly Vaccine Inventory Report to assure it is complete and accurate.

Van Buren/Cass County District Public Health Department  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended December 31, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

Principals

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MANAGEMENT LETTER

Board of Public Health  
Van Buren/Cass County District  
Public Health Department  
Hartford, Michigan

Ladies/Gentlemen:

As you know, we have recently completed our audit of the Van Buren/Cass County District Public Health Department's records for the year ended December 31, 2005. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the systems. This suggestion is a result of our evaluation of the internal controls and our discussions with management.

The Department should review their vaccine inventory procedures.

During our analysis and testing of the internal controls related to vaccine inventory reporting, we noted the number of IPV doses administered in Van Buren County for October 2005 did not agree with amounts reported to the State of Michigan. The Department had reported seventeen (17) doses of IPV as having been administered to the State while the Department's internal records showed that no doses had been administered that month.

The Department keeps two sets of records for this information. One set is manual and the other is maintained on the computer. The manual records are cited above as not being in agreement because it is our understanding that these are the official records of the Department. The computerized records indicate that seventeen (17) doses of IPV were administered in Van Buren County for October 2005.

Although we do not consider this to be material to vaccine inventory reporting, we suggest the Department review their inventory procedures to assure that both internal monthly reporting and monthly reporting to the State of Michigan is complete and accurate in the future.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated April 25, 2006.

This report is intended solely for the information of the Van Buren/Cass County District Public Health Department and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 25, 2006